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FCAN 3-78
June 1978**SLUMP IN SOUTH AFRICAN CANNED DECIDUOUS FRUIT PACK
LOWERS 1978 OUTPUT IN SOUTHERN HEMISPHERE**

The estimated canned deciduous fruit pack in South Africa, the leading producer in the Southern Hemisphere, fell in 1978 from the previous year's level by 14 percent to 8.7 million cases.¹ The reduced pack resulted from lower availabilities of fresh fruit damaged by late season hail and windstorm.

Australia's canned deciduous fruit pack for 1978 is estimated at 6.0 million cases, which is barely above the extremely short pack of the previous year. Because of reduced markets, Australia's production has been cut back about a third since 1975.

Output in Argentina in 1978 is expected to fall 30-40 percent from the 3.2 million cases produced last year; the Chilean pack is estimated at 647,000 cases, an increase of 20 percent over a year earlier.

Exports from South Africa, of which over half were canned peaches, fell by almost one-fifth from those of the year before, to an estimated 8.5 million cases. Australia's canned deciduous fruit exports during 1977—mostly peaches and pears—dropped by more than a fourth from those of the preceding year to 3.3 million cases.²

Exports are extremely important to these Southern Hemisphere producers, and in 1977 comprised over half of the Australian pack and 84 percent of the South African pack (compared with 11 percent of the peach pack and 13 percent of the canned fruit cocktail pack in the United States in 1976/77). The bulk of both Australian and South African exports of canned deciduous fruit during 1977 went to the United Kingdom. In fact, despite an overall decline in South African exports in that year, sales to the United Kingdom (accounting for almost two-thirds of all exports) actually increased by 4 percent.

The United States has been facing increasing competition from Australian canned pear exports to Canada and South African canned peach exports to the European Community. While the U.S. share of canned pear imports into Canada dropped from 96 percent in 1960 to 20 percent in 1975, the Australian share increased from 4 percent to 72 percent.³ Similarly, the U.S. share of canned peach imports into the United Kingdom sank from 20 percent in 1960 to a negligible quantity in 1974, and in West Germany fell from 88 percent in 1960 to 5 percent in 1975. During this period, the South African share of the canned peach market jumped from 49 percent to 78 percent in the United Kingdom, and from less than 1 percent to 36 percent in West Germany.

The shift in market share over the past several years can be attributed in part to the Commonwealth Preference (duty-free status) offered by Canada to Australia on canned pears,⁴ and a combination of lower costs of production and a freight rate advantage to the European market enjoyed by South Africa.

Australia

The canned deciduous fruit pack is estimated at 6.0 million cases in 1978. In recent years, the Australian canning industry has been facing difficulty primarily because of increased production costs and freight rates, and the loss of preferential treatment on imports into the United Kingdom. In an attempt to ease the economic position of canners and to reduce the high stock levels of 1974 and 1975, price discounts were granted in both domestic and export markets,

¹Cases of 24 No. 2½ can equivalents, 45 lb or 20.4 kg net basis.

²Excluding canned apples, for which 1977 data are unavailable.

³Year beginning July 1 in Canada.

⁴The Canadian Tariff Board has recommended elimination of this preference.

⁵Comparable data prior to this date are unavailable.

fresh fruit intake restrictions by canners were imposed, and tree removals were heavy. Declines in tree numbers are expected to continue, as old trees are replaced with citrus or grapes. A contraction in canning capacity is also likely.

The canned peach pack in 1978 is estimated at 2.6 million cases, slightly below the 1977 level. The reduction in availability of canning quality clingstone peaches resulted mostly from a decline in bearing tree numbers. Between 1970 and 1977 the number of bearing peach trees in Australia declined by nearly 1 million, of which about 25 percent were removed under the Fruit Growing Reconstruction Program. A substantial proportion of the remainder were removed following the 1973 and 1974 floods in the Goulburn Valley. In addition, many trees planted in the late 1950's, which are reaching the end of their economic life, are not being replaced.

The freestone peach pack is placed at 20,000 cases. Despite the premium paid for canned freestones over clingstones, high prices for freestones on the fresh market make canning relatively unattractive.

The 1978 canned pear pack is expected to increase by one-fifth over the previous year's level to about 2.0 million cases. Victoria's pear crop is fairly large despite a significant reduction in tree numbers. Following last season's poor crop, yields in most districts are above average, and production in Victoria will be well above canners' requirements. Although stock levels are lower, enabling canners to absorb a larger quantity of fruit, a substantial portion of Bartletts will be sold in the fresh market, while inferior fruit will be dumped or processed for juice.

Australia's canned apricot pack in 1978 is estimated at 340,000 cases, down 44 percent from last year's, and the smallest in many years. Poor weather conditions just before the harvest caused some losses from splitting and brown rot, and yields were substantially below last year's. Fresh marketings also rose, spurred by highly attractive prices early in the season for fresh apricots. As in the case of peaches, both bearing apricot tree numbers and new plantings have declined steadily in recent years. Overall fresh apricot production should continue the long-term down trend for at least the next few years.

The 1978 canned mixed fruit packs are expected to reach 1.0 million cases, slightly below the level of last season. The canned fruit cocktail pack is expected to increase over the previous year's, but the pack of canned two-fruits (mixed diced peaches and pears) may be reduced by about 100,000 cases to bring supply into closer balance with expected demand.

Lower production and more manageable stock levels in 1977 were largely responsible for the almost one-fifth reduction in 1977 exports from those of the previous year, when the industry was particularly

aggressive in export markets in order to reduce excess stocks. Although exports during the first half of 1977 increased over the comparable period of the previous year following the devaluation of the Australian dollar in November 1976, the overall high value of the Australian dollar in 1977 compared to the currencies of major competitors resulted in a decline in exports, particularly to Europe. However, shipments to nearby markets, where Australia has some freight advantage, were reasonably well maintained.

Exports of canned peaches during 1977 fell by more than a fourth from the year-earlier level to 1.4 million cases. Exports to the United Kingdom, traditionally the largest market for Australian canned peaches, showed the sharpest decline because of strong competition from South Africa and higher freight rates. Sales to Canada increased by almost one-third during 1977, and is attributed in part to the Commonwealth duty preference offered by Canada to Australia.

Exports of canned pears during 1977 totaled 1.4 million cases compared to 1.8 million in 1976. Similar to the situation in canned peach exports, sales to the United Kingdom dropped appreciably from the previous year's, but shipments to Canada were well maintained.

Exports of canned apricots in 1977 were slightly higher than those of a year earlier, but were small in relation to other canned deciduous fruits, since they can be sold on the domestic market at better prices than overseas. Apricot exports during 1977 totaled 86,000 cases, with the major markets being Canada and the United Kingdom.

Exports of mixed fruit packs during 1977 totaled about 473,000 cases compared with 748,000 cases in the preceding year. Most of the decline in fruit salad sales was to the United Kingdom, but sales to other European countries and Canada were also significantly smaller than in 1976. Increased exports to the Middle East partly offset the decline in shipments to Europe, and Japan continued to buy canned fruit salad. Exports of mixed two-fruits to the United Kingdom were somewhat lower than in the previous year, but Canada and Japan remained important outlets.

Exports in 1978 are expected to be similar to those of 1977, with only minor changes in export volume of individual fruits.

Prices paid to growers for canning quality fruit are determined each season by the Fruit Industry Sugar Concession Committee. These minimum prices must be paid by canners in order to qualify for rebates on the wholesale price of sugar used in processing. A fixed rebate for sugar used in processing is paid for all products sold on the domestic market, while an additional floating rebate may be paid on sugar used in products for export. This rebate is the theoretical

difference between the domestic price and landed cost of sugar imported from the cheapest source. Although the world market price has been below the Australian wholesale price, high freight costs and other factors that enter into the landed cost calculation have held the difference at a negligible level. Consequently, an export sugar rebate has not been paid in recent years.

Canners are still in a tight liquidity position, some still owing money for fruit delivered in 1974/75. Although no new Government programs have been established following the completion in August 1977 of the Fruit Growing Reconstruction Program, Governmental loan repayments by cooperative fruit canners have been deferred. Payments on the loans made in 1976 were originally scheduled to begin in December 1976. However, repayments were first postponed for 1 year, and in February 1978 were postponed for an additional year.

South Africa

The 1978 canned deciduous fruit pack is estimated at 8.7 million cases, a decline of 14 percent from the previous year's. The intake of canning fruit during the 1978 season is expected to drop by almost one-fifth from that of the year before, because of damage to fruit by hail and windstorms late in the season. However, all other growing factors were favorable, and the size and quality of the undamaged fruit were good.

The fresh pear crop was most severely affected by the weather this year, and resulted in a canned pack of only 1.1 million cases. This is a reduction of just over one-third from the previous year's, when poor quality fruit also caused a slight reduction in the pack, even though intake was larger. The peach crop, least affected by the weather, resulted in a clingstone peach pack of 5.0 million cases. Nevertheless, this is a reduction of 7 percent from the year-earlier level, which was already low because of brown rot, wind, and hail damage.

The canned apple pack in 1978 is placed at 252,500 cases, down slightly from that of the preceding season. The apricot pack is placed at 631,000 cases, a 14 percent reduction from the large output of 1977. The canned mixed fruit pack in 1978 dropped to 1.6 million cases from the 2.0 million cases produced the previous year.

Production costs for the canned fruit industry are higher this year largely because of the Government's decision to increase the controlled prices of both sugar and cans. Sugar constitutes over 10 percent of the cost of production, and the price of cans now exceeds the cost of the fruit going into the can. Freight rates, which increased by 12.5 percent in 1977, were maintained this year.

Raw fruit prices are controlled by the Canning Fruit Board, comprised of seven producers, four canners, and one technical researcher. Each November, before the harvest begins, the Board sets the minimum prices for fresh fruit paid by canners. Each farmer then signs a yearly contract with the canner of his choice in which the farmer agrees to deliver, and the canner to receive, all of the farmer's canning fruit. At the end of the season, in an attempt to induce the farmer to renew the contract during the following season, the canner pays the farmer a dividend, if possible. The Board is also involved in developing and implementing grading regulations, supported by producer levies.

The Board controls the promotion and marketing of exports as well. In conjunction with the trade, it sets minimum prices for exports to major markets and represents the industry in trade negotiations.

Exports in 1976/77, which comprised 84 percent of output, are placed at 8.5 million cases, a decline of almost one-fifth from those of the previous season. The rest of the exportable stocks was sold after the close of the season, on October 31, for the European Christmas trade. Exports to the United Kingdom accounted for approximately two-thirds of all exports, compared to less than half during the preceding season. The record purchases comprised 62 percent of the peaches, 78 percent of the pears, and 60 percent of South Africa's mixed fruit exports.

Argentina

The canned deciduous fruit pack in Argentina in 1977 was estimated at 3.2 million cases, comprised of 2.4 million cases of peaches, 245,000 cases of pears, 4,900 cases of apricots, 489,900 cases of fruit cocktail, and 24,500 cases of cherries.⁵ Because of abnormally large stocks of all canned fruit items, estimated production during 1978 is expected to drop 30-40 percent below 1977 levels. Canned fruit exports in 1977 were estimated at 874,200 cases, 82 percent of which were canned peaches.

Chile

In past years, Chilean canners have encountered economic and technical difficulties from old factories with low productivity, higher production costs, increased credit costs, and the sale of most of the crop in the fresh market. As a result, production levels in 1976 and 1977 were below average. However, recovery from this trend is expected in 1978, with the canned deciduous fruit pack estimated to increase 20 percent over the previous year's to 646,700 cases, most of which is canned peaches. The industry has begun to remodel its equipment, and trade sources

expect that new investments will improve productivity.

Although the canning industry is still not working at full capacity, modification in the character of the final product, particularly the shift from a sugar to a waterpack, has increased export demand and resulted in greater production. Canned peaches and other fruits are now exported in a waterpack in 1-gallon or 200-kilogram drums. This has opened new markets for the Chilean canning industry in Brazil, Colombia, and West Germany. In the case of Brazil, the import taxes are much lower for canned fruit without syrup. The production of small cans of peaches (560 grams) in sugar solution is destined for the domestic market. Although domestic demand continues to be low, it has increased, and the trend may continue as the economy improves.

Canned fruit exports during 1977 are estimated at 349,300 cases, representing an increase of almost 50 percent compared to exports during 1976. Canned peaches comprised more than two-thirds of all canned fruit exports.

Principal markets for Chilean canned fruit continue to be Brazil, Colombia, Germany, Italy, and Venezuela. Peru sharply decreased imports, following Chile's withdrawal from the Andean Pact. Contacts have been made with Arabian countries, which have shown great interest in Chile's canned fruits.

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CANNED FRUIT: PRODUCTION IN AUSTRALIA AND SOUTH AFRICA

1974-1978

(Thousand cases, equivalent 24 2½ cans) ^{1/}

Commodity and Country	1974	1975	1976	1977	1978
<u>APPLES</u>					
Australia	NA	NA	NA	NA	NA
South Africa	278	187	247	262	252
<u>APRICOTS</u>					
Australia	553	647	423	602	340
South Africa	478	717	480	732	631
<u>PEACHES</u>					
Australia	2,519	3,739	2,879	2,656	2,620
South Africa	6,105	6,250	5,890	5,443	5,035
<u>PEARS</u>					
Australia	3,102	2,869	1,739	1,654	2,000
South Africa	1,506	1,559	1,828	1,712	1,125
<u>MIXED FRUIT</u>					
Australia	1,370	1,659	1,070	1,039	1,005
South Africa	1,819	1,643	1,728	1,974	1,618
<u>TOTAL</u>					
Australia	7,544	8,914	6,111	5,951	5,965
South Africa	10,186	10,356	10,173	10,123	8,661

^{1/} 45 lb or 20.4 kg net weight basis.

SOURCE: FAS Attache Estimates.

CANNED DECIDUOUS FRUIT PRODUCTION: CHILE

1974-1978

(Thousand cases, equivalent 24 2½ cans) ^{1/}

Commodity	1974	1975	1976	1977	1978
Marmalades	43.4	46.0	26.3	19.8	29.4
Peaches	420.8	459.5	380.8	394.4	460.5
Other Canned Fruit	164.4	171.5	151.0	124.7	156.8
Total	628.6	677.0	558.1	538.9	646.7

^{1/} 45 lb or 20.4 kg net weight basis.

SOURCE: FAS Attache Estimates.

May 1978

Foreign Commodity Analysis, FAS, USDA

CANNED FRUIT: EXPORTS FROM AUSTRALIA and SOUTH AFRICA
(Thousand cases, equivalent 24 2½ cans^{1/})

Commodity and Country	Calendar Year				
	1973	1974	1975	1976	1977 ^{2/}
<u>APPLES</u>					
Australia	42.6	31.9	14.7	24.1	NA
South Africa	119.0	69.0	111.0	86.0	118.0
Total	161.6	100.9	125.7	110.1	NA
<u>APRICOTS</u>					
Australia	425.2	169.9	181.6	83.5	86.0
South Africa	648.0	380.0	405.0	613.0	636.0
Total	1,073.2	549.9	586.6	696.5	722.0
<u>PEACHES</u>					
Australia	3,765.1	1,637.5	1,601.0	1,853.6	1,361.0
South Africa	5,955.0	4,623.0	4,420.0	6,241.0	4,575.0
Total	9,720.1	6,260.5	6,021.0	8,094.6	5,936.0
<u>PEARS</u>					
Australia	2,911.8	2,028.4	1,398.7	1,780.9	1,368.0
South Africa	1,577.0	1,091.0	1,096.0	1,574.0	1,589.0
Total	4,488.8	3,119.4	2,494.7	3,354.9	2,957.0
<u>FRUIT COCKTAIL</u>					
Australia					
Two-Fruits	616.1	404.8	265.9	226.3	3473.0
Cocktail	1,028.7	594.3	512.2	521.6	
South Africa	1,432.0	1,311.0	1,106.0	1,940.0	1,586.0
Total	3,076.8	2,310.1	1,884.1	2,687.9	2,059.0
<u>GRAND TOTAL</u>					
Australia ^{4/}	8,789.5	4,866.8	3,974.1	4,490.0	NA
South Africa ^{2/}	9,731.0	7,474.0	7,138.0	10,454.0	8,504.0

^{1/} 45 lb or 20.4 kg net weight basis.

^{2/} Attache's estimate.

^{3/} Two-fruits and cocktail combined.

^{4/} Official trade data.

SOURCE: Attache Estimates and Official Trade Data.

